

A Study on the Increasing Growth of EMI Usage Among People & Its Socioeconomic Impact in India

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Abstract -EMI, or Equated Monthly Instalments, have been one of the best methods for Indians to buy commodities in instalments rather than paying all the money at once. This research, therefore, reviews this recently increased tendency and impact of EMI on society. The main goal of this survey is to identify the motives for the increased use of EMI by people in the Indian context, its consequences on different income groups, and consumers' perceptions about these instalment choices. The study also explores how financial institutions assist in popularizing and administering EMI plans. The methodology used in this paper is a quantitative approach based on a structured survey questionnaire concerning the various demographic groups across India. Captured during the survey were the consumers' usage patterns toward EMI, motives for choosing an EMI, the socio-economic characteristics of the consumers, and the financial impact of EMI plans. Descriptive statistics were used to analyse the data to understand the essential findings regarding the adoption and consequences of EMI schemes. The findings show that the level of EMI is higher, especially in buying high-priced items such as electronic gadgets and home appliances. These schemes would enable people to buy high-priced goods and give the needed convenience in terms of payment, but could also build up household debt and monetary problems for some. This research puts into light both the positive and negative sides of EMI schemes by pointing out some benefits and possible downsides.

Keywords: EMI, Socioeconomic Impact, Consumer Finance, India, Debt, Purchasing Power, Financial Behaviour

INTRODUCTION

EMI or Equated Monthly Instalment is a fixed amount of payment made by a borrower to the lender at each month at a specific date which is pre determined at the

time of lending the loan, product or service. These instalments are applied to the principal and interest add to the amounts so that the borrowed loan is easily paid off in steps over a specified number of years. EMI has become an important financial tool for Indian Consumers in last past years with an approach of high value purchases.

EMI is not new in India, people has been making big purchases like TV, fridge, automobiles on instalments offline for the last 2 decades in India. Instead of paying the entire cost at once, it offers a manageable alternative by monthly instalments at a fixed period, making it easy to buy products like electronics, home appliances, etc. with an accessible to a wider population. This method has changed the buying pattern of the consumers in India.

EMI options, which have been a traditional financing method, continue to evolve with more merchants and retailers offering zero or low interest EMI plans. The rise of e-commerce platforms and digital payment systems has promoted EMI adoption, making it affordable for low-income groups which includes rural consumers.

1.1 Trends in EMI Adoption

The trend of EMI Schemes has grown Rapidly in India across urban and rural area. In recent data, it has shown that more Indians are choosing EMI options for their purchases. This trend doesn't only about luxury items, but also day to day items like electronics, home appliances, fashion, etc. Gen Z are more often use EMI option in buying cloths and electronics items like phones. After the post-Covid more customers have come online. Over 700 million consumers are now on the internet, to leverage split payment offerings by

sitting in any remote corner of the country. Internet has played an important role in spreading the EMI schemes. Previously the EMI option was only known for high-income holder, now even low income holders can use EMI option. Reports have shown that both elders and youngsters are the primary drivers of this trend. Financial Institutions and Fintech companies plays an important role in promoting EMI schemes through aggressive marketing, making credit easily available to consumers. EMI usage has increased by 50% between 2018 and 2020, with online channels accounting 36% of EMI transactions.

1.2 Financial Literacy and Consumer Awareness

There are some problems and challenges with EMI adoption and one of challenges faced is the lack of financial literacy and consumer awareness. Many people go for EMI option without knowing the interest rates, hidden charges, or long-term repayment obligations involved. In recent research it has mention that many consumers get attracted with the offer of “no- cost EMI” without understanding and verifying that they actually save their money or get paid more by processing fees and taxes. This indicates that there is a need for consumer awareness and financial education campaigns.

1.3 Socioeconomic Impact of EMI Schemes

The impact of EMI Schemes has its both positive and negative impact. The positive side of EMI schemes is that increasing in purchasing power and making products at an affordable for all classes at a larger segment of the population. Due to this, there is a huge demand for goods. The negative side of EMI schemes is that, it involves very high financial risk such as increase in debt, overspending with limited income, and so on. Even many consumers fail to complete the instalments. This Research focuses on Analyzing both positive and negative impact and providing a balanced perspective.

RESEARCH METHODOLOGY

2.1 Methodology

This study has analyzed though using both primary and secondary data. Primary data is collected through using the questionnaire method. Secondary data was collected through journals, magazines and various research papers.

2.2 Objectives

To analyze the growth trend of EMI Usage

- To assess the Socioeconomic Impact of EMI Usage

To understand consumer attitudes toward EMI Schemes

To Investigate the role of financial institutions in promoting EMI Schemes

To explore the regulatory and policy framework surrounding EMI Usage

2.3 Hypothesis

The study is conducted to examine whether Consumers see EMI schemes as difficult or not.

H₀: Consumers do not see EMI schemes as difficult, burdensome, or needing stricter rules.

H₁: Consumers see EMI schemes as difficult, burdensome, and needing stricter rules.

The above idea is just an assumption, to check whether it is true or false.

2.4 Significance of study

The study on Equated Monthly Instalments (EMI) and its Socioeconomic Impact in India was to highlights the benefits and risks related with EMI schemes. It also identifies consumer spending patterns and influencing the adoption of EMI. It analyzesthe financial habits of Indian consumers, on how EMI schemes influence economic growth and consumer spending patterns. It aims to provide balance growth with sustainability, ensuring that EMI schemes to continue with support to economic development.

2.5 Scope of study

This research targets individuals across different age groups, from 18 to 55+ years, to understand EMI preferences among young adults, working professionals, and older age groups.

The primary data is collected approx. 60 responses

The study examines responses based on income levels, education, occupation, and gender to identify patterns and differences in EMI usage.

The study focuses on consumer behaviour related to EMI schemes, including spending habits, purchasing preferences, and financial planning.

2.6 Limitations of Scope

The study primarily focuses on consumer goods and services purchased through EMIs and does not cover

large-scale loans like housing or business loans. It emphasizes individual consumers rather than corporate or institutional buyers. The findings are based on self-reported data, which may include personal biases and subjective opinions.

2.7 Data collection method

The data is collected with the hybrid mix of both primary and secondary method.

- **Primary Data:** The information collected by primary data is done through using questionnaire method by the help of google form. The sample size taken for this research was approximately 60 between the age group of 18 to 55+ was begin taken.

Secondary Data: For secondary data, various research paper, websites, blogs, etc. was used to collect the data.

LITERATURE REVIEW

Author Name: Sakshi Malik, Muskan Kaur, Anuj Pal Kapoor, 2020: As this research paper titled “Purchase Now and Pay Later: Consumer preferences towards No cost EMI’s in India” states that India's e-commerce market is experiencing rapid growth, given by heavy discounts but now it’s evolving to meet the change in consumer expectations. One emerging payment innovation is the cardless EMI (Equated Monthly Installment) option, which enables consumers to make purchases without requiring a credit card. It also states that this option of cardless EMI is provided to the consumers by calculating their credit worthiness with the help of Digital technology.

Author Name: Amaya Kavya, Seema Yadav, 2024 As this research paper titled “The Impact of EMI Dependency on Household Financial Stability in India: A Risk Analysis in the Face of Global Economic Uncertainty” states that dependence on Equated Monthly Installments (EMIs) has changed the household financial behaviour, raising concerns about economic stability. It also states that rise in EMI-driven debt accumulation and its adverse effects on household savings and financial vulnerability across demographic groups. Primary drivers of debt surge are the youth especially who are under the age of 35 years.

Author Name: Abdul Razack K P, Dr. Jayarajan T K, 2024 As this research paper titled “How Equated Monthly Installment (EMI) Schemes and Buy Now, Pay

Later (BNPL) services fuel impulsive buying: A closer look at consumer behaviour” states that previously EMI loan was only given by credit card companies, but nowadays, it is also given to debit cards too. It also states that this payment option has become very popular among consumers, especially among younger generations, to manage their finances and make larger purchases more affordable. But there are some drawbacks, such as higher spending and risks of missed payments, that should be considered before utilizing this payment option.

Author Name: Muthulaskhmi Raman, 2022 In the research paper titled “A study on the perception of EMI scheme among public in Ernakulam District with special reference with Bajaj Fin-serve” states that EMI schemes had differ from variable payment plans, like in which the borrower is able to pay higher payment amounts at his or her discretion. Unlike the term loan, where principal and the interest accumulated for the month is considered as the installment and where the borrower is able to pay higher payment in the beginning at his/her discretion.

Author Name: POOJA.J, 2022 As the author of the research paper “A study on the benefits of EMI schemes with specialized in Bajaj Finserv Ltd” stated that banks provide loans for fulfilling people’s requirements such as car loan, housing loan, business loan, etc with a periodic payment system like Equated Monthly Installments (EMI) option. It also stated that most banking institutions and other financial institutions are providing EMI loan facility with the monthly repayment system. Also, now a day the concept of EMI is familiar with different groups of product buyers in the Indian economy.

Author Name: Luci Irawati, Muhammad Zilal Hamzah, Eleonora Sofilda, 2024 In the research paper titled “Regulating Buy Now Pay Later (BNPL) in Asean: a Comparative Analysis on Regulatory Challenges and Opportunities” states that the rise of Buy Now Pay Later (BNPL) services had made a shift in the digital financial landscape, driven by fintech innovation and growing consumer demand for flexible payment options. It also stated that this service has allowed consumers to purchase goods and services with payments spread over time. This rapid adoption of BNPL services has raised concerns about consumer

protection, financial sustainability, and potential risks to the broader financial system.

Author Name: Tharani, 2024 As the author of the research paper “A study on customer Satisfaction level of Purchasing a product through EMI” states that many financial institutions and banking institution provide EMI loan facility with the monthly repayments system. In specific, the loan services are mainly used by the customers of the banking institutions in India. It also mentions that loan disbursements with EMI options offered by the banks have seen

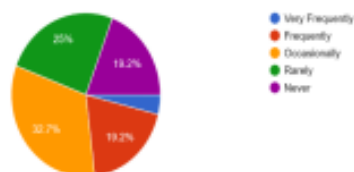
Author Name: Yeshwanth Reddy, 2018 As the author of the research paper “A study on Influence of EMI process on sales of bajaj electronics” states that after the arrival of EMI facility, customers are happily purchasing on EMI Basis. The latest product and technological developments in the international credit card facilities are developed in the Indian market. It also stated that there are few companies which are offering finance facility as consumer durable loan to the customers by easy approval with 0% interest by taking a few documents.

DATA INTERPRETATION & ANALYSIS

To gain more insights about the increasing usage of Equated Monthly Installments (EMIs) and their socioeconomic impact in India, I conducted a survey. The aim of the survey to evaluate consumer attitudes toward EMI-based purchases, debt management strategies, and the broader financial implications for various demographics.

Result of the Survey

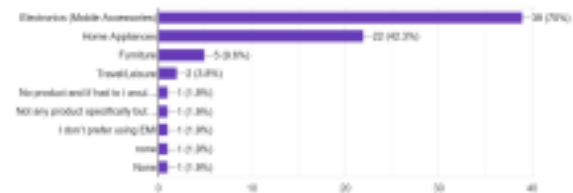
1. How often do you use EMI schemes for purchasing goods or services?
52 responses



The largest portion (32.7%) uses EMI schemes occasionally, which indicates that, many consumers turn to EMIs only when making relatively larger or less frequent purchases. The significant portion (25%) rarely uses EMIs, implying a preference for direct payments or

possibly concerns about debt accumulation. Around 19.2% of respondents frequently use EMIs, with an equal proportion (19.2%) never uses EMIs. And a very small portion (approximately 4%) relies heavily on EMIs.

2. What type of products/services do you typically purchase using EMI schemes
52 responses



Electronics (75%) are the highest EMI purchases, showing that gadgets and mobile accessories are the most common items financed through instalment plans. The second most thing purchased using EMI is the Home Appliances (42.3%), indicating that EMIs are preferred for household essentials. Furniture (9.6%) and Travel/Leisure (3.8%) shows that EMIs are occasionally used for lifestyle or non-essential purposes. 1.9% prefer EMIs only if needed, and 1.9% avoid them entirely, reflecting more cautious financial attitudes.

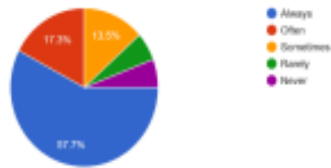
3. What is your preferred duration for an EMI plan?
52 responses



12 months (30.8%) and 3 months (28.8%) are the most preferred by people, indicating two different patterns:

- Short-term plans where people want quick repayment cycles, which mean they don't want to carry the repayment burdens.
- Medium-term plans (12 months) are the consumers who seeks with affordable payment managements 6 months (17.3%) and 24 months (17.3%) also show demand for flexible options. Longer durations (18 months - 7.7%) have lower preference, likely due to higher cumulative interest rates. 11.5% choose 'None', implying a segment that avoids EMI plans entirely.

4. Do you usually consider the interest rate before opting for an EMI scheme?
52 responses



There are 67.7% of them who 'Always' checks the interest rates, before opting for any EMI schemes. 17.3% do 'Often' checks the interest rates, where 13.5% say that they check the rates 'Sometimes', showing occasional consideration, possibly among less experienced borrowers. And 5.8% of them who 'Never' or 'Rarely' check it which suggests a very small segment may lack financial awareness or prioritize convenience over costs.

5. How do EMI schemes affect your monthly budget?
52 responses



The above chart show that, 61.5% shows a manageable impact, which indicates that they can use EMI schemes with a manageable budget. 19.2% shows that there is no impact in their monthly budget, which suggest they may have high income or they use EMI with proper budget planning. 13.5% of them experience a significant impact, indicating that for some, EMI payments pose financial strain. Lastly 5.8% finds difficult to manage their monthly budgets, which indicates a risk of debt distress.

6. Have you ever faced financial difficulties due to EMI commitments?
52 responses



The above chart shows that, 67.3% say 'No', which means that the majority can handle their EMI payments effectively. 32.7% say 'Yes', which indicates that, there is a lack of Financial Literacy and Consumer Awareness.

7. Do you believe that EMI schemes make it easier to access goods/services that would otherwise be unaffordable?
52 responses



The above chart shows that, 51.9% Agree and 26.9% Strongly Agree, a combined of 78.8% believe that EMI schemes make it easier in accessibility to goods and services. 19.2% remain Neutral, indicating mixed views about the necessity of EMIs. 1.9% Strongly Disagree, suggesting a very small percentage might prefer saving up or avoiding debt.

8. How do you think EMI schemes influence the overall financial health of a household?
52 responses



This chart show that, 34.6% are unsure, showing a lack of Financial Literacy and Consumer Awareness. 32.7% believe EMI schemes positively impact financial health, indicating that respondents view EMIs as tools for managing cash flow and improving accessibility.

19.2% view them negatively, suggesting concerns about debt burdens. 13.5% thinks there is no impact, reflecting neutrality, which indicates they have manageable budge.

9. Are you aware of the total interest and additional costs associated with your EMI purchases?
52 responses

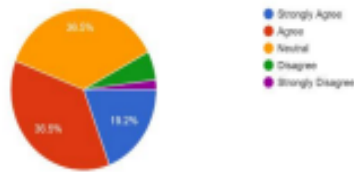


This chart shows that, 53.8% are fully aware of EMI interest and additional costs.

32.7% says that they are somewhat aware, which indicates they may have partial knowledge of interest rate and may not aware of hidden cost.

13.5% are unaware, which means there is a lack of financial awareness

10. Do you feel that EMI schemes encourage overspending?
53 responses

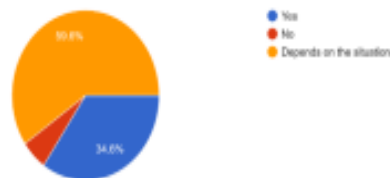


The above chart shows that, 38.5% agree and 19.2% strongly agree that, EMI schemes encourage overspending.

While 21.2% are Neutral, indicating uncertainty about the behavioural impact of EMIs.

Whereas 5.8% disagree and 1.9% Strongly disagree, showing some believe EMI schemes do not necessary, which lead to poor spending habits.

11. Would you prefer an upfront discount over an EMI option?
52 responses

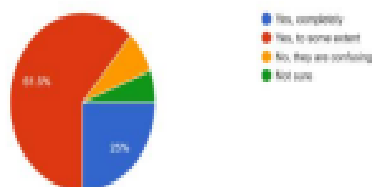


The above chart shows that, 59.6% do prefer upfront discount on depending on the situation, which shows the flexibility based on circumstances like purchase amount or urgency.

Whereas, 34.6% prefer upfront discounts, indicating a preference for immediate savings rather than deferred payments.

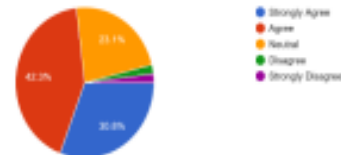
And 5.8% say no on upfront discount, favouring EMI options for affordability and spreading costs.

12. Do you find the terms and conditions of EMI schemes clear and easy to understand?
52 responses



This chart shows that, 61.5% can understand the terms and condition of EMI schemes at some Extent. Whereas 25% find them completely clear, suggesting a significant minority understands EMI terms without difficulty. And 7.7% find them confusing and 5.8% are unsure, which highlights the lack of awareness

13. Do you believe that there should be stricter regulations on EMI schemes to protect consumers?
52 responses



This chart shows that, 30.8% Strongly Agree and 42.3% Agree, totalling 73.1% supporting stricter regulations. Whereas 23.1% are Neutral, indicating some uncertainty about the need for further rules. And 1.9% disagree and 1.9% strongly disagree, reflecting minimal opposition.

14. Have you ever felt misled by promotional offers related to EMI schemes?
52 responses



This chart shows that, 36.5% says that they never felt like misled by promotional offers related to EMI schemes And 28.8% says that they are not sure about it. Whereas 34.6% agrees, that they felt of misled by promotional offers related to EMI schemes.

15. Do you think that financial institutions do enough to educate consumers about the risks of EMI usage?
52 responses



The above chart shows that, Only 21.2% a small portion agrees, that the financial institutions do enough to educate consumers about the risks to EMI usage. A significant percentage (40.4%) of respondents think that financial institutions are not doing enough to educate consumers about EMI risks. Whereas, 38.5% are not sure, which suggest a lack of visibility in the educational efforts provided.

CONCLUSION

In this research, I came to known that the growing usage of Equated Monthly Instalments (EMI) in India

has become a widely accepted financial tool, especially among Gen Z and middle-income groups. EMI schemes have made people to afford high-value goods and services without paying the full amount upfront. The socioeconomic impact of EMI schemes had increased the purchasing power, at the same time it also come with certain risks. Even many consumers face financial stress and debt burdens, especially those with lower incomes, suggest shows they may lack with proper financial literacy to manage repayments effectively. This study highlights that there is both benefits and challenges in EMI adoption, show how it can enhance lifestyles but also can lead to financial problem if not managed carefully. As with the research paper, it has proven that Consumers face some difficulties with the EMI schemes and needs a strict rules and regulations which has been assumed in H_1 hypothesis. Thus, hypothesis H_0 is rejected.

Analysis in the Face of Global Economic Uncertainty

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